

Quanico Oil & Gas, Inc.

203 WEST MAIN ST. P.O. BOX 1714

EL DORADO, ARKANSAS 71730

PHONE (501) 863-7170

April 10, 1987

Mr. Jerry Sexton
Supervisor District #1
Energy and Minerals Department
Hobbs District Office
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Re: Mac Federal #2-P SWD
Section 6, T 9S, R30E
Chaves County, NM

Dear Mr. Sexton:


This letter is written with reference to our conversation today on the above subject well. After talking with you I was able to get in touch with both of my sons to determine what had happened to the paperwork on the proposed SWD system. My son Doug, here in El Dorado, had not mailed in the paperwork because he was waiting on the "Proof of Publication". My son David, in Roswell, had taken the add to Roswell Daily News on Monday, April 6th, and at that time thought it was okay to start injection.

The wells at Cato were shut down today, and will stay down until we receive final approval. We apologize for this screw up on our part. It is not our intent to violate any rule or regulation and we would rather leave the wells down forever than violate your rules. We had just gotten out of Agua's system and were just trying to get our operation in shape after most of it had been shut down the past year.

Thank you for your patience in this matter.

Yours very truly,

QUANICO OIL & GAS, INC.


Jerry D. Alexander

JDA:sa